

# FISCAL NOTE

**Bill #:** HB0658

**Title:** Revise local government  
severance tax

**Primary**

**Sponsor:** Edith Clark

**Status:** As amended by Senate Tax

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

FY1999 Impact: In order to implement the proposed legislation, the Department of Revenue would have to modify computer programming within the Combined Oil and Gas Production Tax system at a one-time cost of \$9,600 in FY1999. There would be no expenditure impact in FY2000 or FY2001.

	<b><u>FY2000</u></b> <b><u>Difference</u></b>	<b><u>FY2001</u></b> <b><u>Difference</u></b>
<b><u>Expenditures:</u></b>		
General Fund (01)	\$0	\$0
<b><u>Revenue:</u></b>		
General Fund (01)	(\$135,223)	(\$146,761)
State Special Revenue (6-mill acct)	(15,525)	(16,642)
<b>Net Impact on General Fund Balance:</b>	<b>(\$135,223)</b>	<b>(\$146,671)</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. Total oil production from pre-1985 wells which produce less than 3 barrels per day is 627,582, 577,375, and 531,185 barrels per year in CY1999, CY2000, and CY2001 respectively (DOR).
2. Total oil production from post-1985 wells which produce less than 3 barrels per day is 176,543, 180,073, and 183,675 barrels per year in CY1999, CY2000, and CY2001 respectively (DOR).
3. Montana oil price is \$11.72, \$14.11, and \$15.47 per barrel in CY1999, CY2000, and CY2001 respectively (HJR2).
4. The locally distributed portion of taxes received from pre-1985 wells which produce less than 3 barrels per day are distributed 3.42% to the university system, 25.63% to the general fund, and 70.95% to other school and local taxing jurisdictions (DOR).

(continued)

5. The locally distributed portion of taxes received from post-1985 wells which produce less than 3 barrels per day are distributed 1.97% to the university system, 31.14% to the general fund, and 66.89% to other school and local taxing jurisdictions (DOR).
6. The price of West Texas Intermediate crude oil will remain below \$30.00 per barrel during the biennium (DOR).

FISCAL IMPACT:

FY2000  
Difference

FY2001  
Difference

Expenditures:

In order to implement the proposed legislation, the department would have to modify computer programming within the Combined Oil and Gas Production Tax system at a one-time cost of \$9,600 in FY1999. There would be no expenditure impact in FY2000 or FY2001.

Revenues:

General Fund (01)	(\$135,223)	(\$146,761)
State Special Revenue (6-mill acct)	(15,525)	(16,642)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments and school districts will receive reduced non-levy revenue from the Oil and Gas Production Tax under the proposed legislation. The total tax loss to local governments and schools is \$352,051 and \$380,259 in FY2000 and FY2001 respectively.

LONG-RANGE IMPACTS:

The proposed legislation will reduce tax revenues to both state and local taxing jurisdictions when the price of West Texas Intermediate crude oil is less than \$30.00 per barrel.